FOURTEENTH ANNUAL REPORT

1999-2000

THE MANITOBA LAW FOUNDATION

LA FONDATION MANITOBAINE DU DROIT

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The Honourable Minister of Justice
and Attorney General
Department of Justice
Legislative Building
Winnipeg, Manitoba

Dear Minister:

I have the honour to submit to you, in accordance with Subsection 76(1) of The Law Society Act (the "Act"), the fourteenth Annual Report of The Manitoba Law Foundation.

Financial Statements for the year ended 31 March 2000 were examined by the Foundation's auditors, PricewaterhouseCoopers LLP, Chartered Accountants, whose report dated 12 April 2000 is attached. The Financial Statements were approved by the Foundation's Directors at a meeting of the Board held on 22 June 2000.

I am pleased to set out below some comments on the financial results, transactions and other information regarding the fiscal year just completed.

COMPOSITION OF THE BOARD OF DIRECTORS

The affairs of the Foundation are administered by a Board of Directors appointed pursuant to the provisions of Section 66 of the Act. Under the provisions of Subsection 68(1) of the Act terms of appointment may range from 2 to 4 years and Directors may be reappointed. Directors whose terms have expired continue until replaced. Members of the Board during the fiscal period included:

A. APPOINTED OR REAPPOINTED BY THE MINISTER OF JUSTICE

Richard M. Swystun, Chairperson	(to 31 May 2000)
Elizabeth Beaupre, Vice-Chairperson	(to 04 January 2001)
Dirk Blevins	(to 05 May 2002)
Joan Nemetchek	(term to 12 September 1999, not replaced)
Grant A. Stefanson	(term to 12 September 1999, not replaced)

B. APPOINTED BY THE LAW SOCIETY OF MANITOBA

Donald G. Douglas	(to 31 August 2001)
John E. Neufeld, QC	(to 31 August 2000)
Lori T. Spivak	(to 31 August 2002)

C. APPOINTED BY THE PRESIDENT OF THE MANITOBA BRANCH, CANADIAN BAR ASSOCIATION

Shawn D. Hughes	(to 07 November 2001)

D. DEAN OF THE FACULTY OF LAW, UNIVERSITY OF MANITOBA *(ex officio)*

E. Arthur Braid, CM, QC	(to 01 July 1999)
Harvey Secter	(from 01 July 1999)

MEETINGS OF THE BOARD OF DIRECTORS

Section 73 of the Act requires that the Board meet at least four times annually. In the fiscal year ending 31 March 2000 the Board met in Winnipeg in June, November, and December in 1999 and in January, February and March in 2000.

FINANCIAL HIGHLIGHTS

	1998-99	1999-2000	Change
Interest on Lawyers' Trust Accounts	$ 2,984,877	$ 2,657,869	- 10.9%
Interest on investment	312,075	370,917	+ 18.9%
Total Revenues	$ 3,296,952	$ 3,028,786	- 8.1%

REVENUES

The Foundation's gross revenues decreased by 8.1% from the previous fiscal year. The change was due to the fact that average short-term interest rates for the period were slightly lower. For every one percent change in the average short-term rate the Foundation gains or loses about $1.4 million in Interest on Lawyers' Trust Accounts.

OPERATIONAL COSTS

Operational expenditures were $128,438. An increase of $32,342 over the previous fiscal year is primarily due to one-time, transitional costs. Operational expenses peaked in 1993/94 at $162,830. In the years since then, the Foundation streamlined its operations to reflect reduced revenues. Administrative operations were contracted out to reduce costs. With revenues now stabilizing at a higher level, the Board is effecting a transition to a new administrative structure to be headed by an Executive Director.

INVESTMENTS

The Foundation continues to implement an investment policy combining the acquisition of low-risk marketable, mid- and short-term securities. In the fiscal period just concluded the Board reviewed its investment policy and strategy and concluded that it should explore alternatives. This process of examining options is underway.

Unallocated amounts and sums not needed immediately by funded programs and projects were invested. The Foundation earned a total of $370,917 in interest (including an adjustment for accruals). The increase is attributable to the increase the Foundation's Reserve for Future Grants as well as an increase in average investment yield.

The Foundation had an average weighted annualized yield of 6.56% on an average asset balance of $5.65 million (compared to an average yield of 6.25% on an average balance of $5 million in 1998-99).

The return on investment achieved by the Foundation compares favourably with other Canadian law foundations and professionally managed funds with a similar asset base.

RESERVE FOR FUTURE GRANTS

The Foundation maintains a Reserve for future discretionary grants. The Board increased the maximum amount for the Reserve in March 1999 from $2.5 to 3.5 million. The increase was coincidental with the decision to increase the Foundation's total minimum level of annual grants by 25%.

The major purpose for the Reserve is to provide some stability during periods of revenue reductions. The Reserve is wholly invested in securities maturing in periods not exceeding seven years.

In the fiscal year just concluded the Foundation added $665,928 to its Reserve for

Future Grants to bring the level to about $3.1 million.

REVENUE PROJECTIONS

On the basis of current short-term interest rates the Foundation anticipates revenues from interest on lawyers' trust accounts in fiscal 2000-2001 at least to reach the level achieved in the fiscal year just concluded.

GRANTS

A. Allocations under the provisions of Subsection 65(1) of the Act (Mandatory Grants)

The Act provides that the Foundation allocate a portion of interest on lawyers' trust accounts received in the previous fiscal year to The Legal Aid Society of Manitoba (50% or a minimum of $1,007,629) and The Law Society of Manitoba (16.67% or a minimum of $335,383) for its educational purposes. In the event that interest on lawyers' trust accounts, after deduction of the Foundation's operating expenses, is not sufficient to pay the statutory minima, the Act provides for *pro rata* sharing of net revenues between the two statutory grant recipients. Accordingly, the following grants were paid and accrued.

1. **The Legal Aid Services Society of Manitoba**

Disbursed	$ 1,492,439
Accrued	1,328,935

2. **The Law Society of Manitoba**

Disbursed	$ 497,489
Accrued	442,987

B. Discretionary Grants under the provisions of Subsection 65(4) of the Act

Monies available for discretionary grants consist of the surplus at the end of the previous fiscal year after the deduction for operating expenses, mandatory grants, and, in years when revenues are sufficient, a contribution to the Foundation's Reserve for future grants. To this may be added grants or portions of grants previously approved and subsequently cancelled or returned unused. Excluding the allocation to the Reserve for Future Grants noted above, the Foundation began the year with $545,000 available for discretionary grants. The entire amount was approved for grants in the fiscal year.

Ten discretionary grants were approved, as listed here, in accordance with the objects provided in Section 63 of the Act.

LEGAL EDUCATION

Community Legal Education Association (Manitoba), Incorporated

General Operating Grant	99/00	$ 35,000

Faculty of Law, University of Manitoba

General Funding Grant	99/00	$ 50,000

Native Law Centre, University of Saskatchewan

General Operating	99/00	$ 10,000

LEGAL RESEARCH

Legal Research Institute at the University of Manitoba

General Operating	99/00	$ 50,000

LEGAL AID SERVICES

Legal Aid Services Society of Manitoba

Public Interest Law Centre	99/00	$ 150,000
University Legal Aid Clinic	99/00	$ 45,000

Community Legal Education Association (Manitoba), Incorporated

Law Phone-In, Lawyer Referral Service	99/00	$ 40,000

LAW REFORM

Manitoba Law Reform Commission

Research Consultant(s)	99/00	$ 30,000

LAW LIBRARIES

E. K. Williams Law Library, University of Manitoba

Acquisitions and Maintenance	98/99	$ 35,000

The Manitoba Law Library Inc.

Courthouse Libraries	99/00	$ 100,000

Additional discretionary grants totaling $571,000 were approved conditionally for payment from monies available in 2000/2001.

CHAIRPERSON'S COMMENTS

The Foundation in the fiscal year just ended was able to allocate $545,000 to continuing discretionary grants - a substantial increase over the previous year. Continuing grants conditionally approved for 2000/2001 show an additional increase to a total of $571,000. With interest rates on the rise, the Board anticipates a concomitant increase in its funds available for discretionary grants.

Statutory grants for Legal Aid in the Province and for the Law Society of Manitoba's educational programs have also been maintained at a historically substantial level.

The past year has been a year of transition. Three years ago, in the face of diminished revenues, the Foundation altered drastically its administration. To reduce operating costs and to make more money available for grants, salaried employees were replaced with independent contractors. The new system worked well with Dr. William Greenaway, the Foundation's former Executive Director, serving as a Board Consultant working on a *per diem* basis. At the end of August Dr. Greenaway advised the Board that he wished to be relieved of his responsibilities by the end of September 2000. In March he gave the Board formal notice to terminate his contract.

While the Board is disappointed to lose Dr. Greenaway's services, the Foundation now has more stable revenues and the possibility, in the next three years of a substantial sum available for discretionary grants over and above the amount budgeted for continuing grants. It is time for a change.

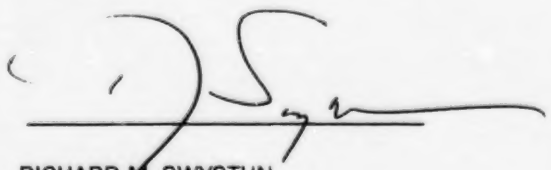
The Board retained the services of KPMG to conduct an executive search. By June 2000 we expect to have employed a part-time Executive Director to manage the affairs of the Foundation.

At the same time that the Board is searching for a new chief executive officer, it is also examining ways in which it can increase its efficiency in several areas. In investment this may involve outside investment management and even a partnership with another foundation. It is participating with other Canadian law foundations to implement innovative technological options through the Internet. The Board is cognizant of the need to adapt its operations to a rapidly changing environment.

The move to a new administrative regime has to a small extent offset some of the substantial savings in operating costs realized over the past several years. In the longer run the Board anticipates an even more effective operation than the Foundation has had to date.

Once again I would like to thank all of the Directors who served so faithfully in the past year. I would also like to thank the Foundation's Consultant, Dr. William Greenaway, and Ms Helen O'Connor, Accounting Services Manager, for the invaluable assistance that each of them has provided to the Board over the past year.

All of which is respectfully submitted,



RICHARD M. SWYSTUN
Chairperson,
The Manitoba Law Foundation

22 June 2000

FINANCIAL STATEMENTS
31 MARCH 2000

AUDITORS' REPORT

April 12, 2000

To the Board of Directors of The Manitoba Law Foundation:

We have audited the balance sheet of The Manitoba Law Foundation as at March 31, 2000 and the statements of revenue, expenditures and grants and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 2 to the financial statements.

"PricewaterhouseCoopers LLP"
Chartered Accountants

BALANCE SHEET
AS AT MARCH 31, 2000

	2000 $	1999 $
Assets		
Cash	107,876	113,443
Investments, at cost (Schedule 1)	5,253,520	4,910,262
Accrued interest, net of amortization of premium on investments (Schedule 1)	663,934	622,253
Capital assets (note 3)	5,753	9,205
	6,031,083	5,655,163
Liabilities		
Grants allocated and undisbursed (Schedule 2)	1,792,922	2,000,428
Net Assets		
Net assets invested in capital assets	5,753	9,205
Net assets internally restricted (note 4)	3,109,736	2,443,808
Net assets unrestricted	1,122,672	1,201,722
	4,238,161	3,654,735
	6,031,083	5,655,163

Statement of Revenue, Expenditures and Grants
FOR THE YEAR ENDED MARCH 31, 2000

	2000 $	1999 $
Revenue		
Interest received on lawyers' trust accounts	2,657,869	2,984,877
Interest earned on investments	370,917	312,075
	3,028,786	3,296,952
Administrative expenditures		
Amortization	3,452	1,151
Audit and legal	11,762	4,130
Bank charges	184	-
Board fees	15,500	10,700
Consulting fees	66,086	56,944
Courier	336	187
Meeting expenses	3,025	3,162
Memberships and dues	430	-
Miscellaneous expense	144	305
Office, postage and telephone	4,701	3,769
Rent	7,452	7,452
Travel	15,366	8,296
	128,438	96,096
Excess of revenue over expenditures	2,900,348	3,200,856
Grants allocated during the year (Schedule 2)	2,316,922	2,376,680
Under allocated revenue for the year	583,426	824,176

Statement of Changes in Net Assets
FOR THE YEAR ENDED MARCH 31, 2000

	Invested capital assets $	Reserve for future grants $ (note 4)	Unrestricted $	2000 Total $	1999 Total $
Balance - Beginning of year	9,205	2,443,808	1,201,722	3,654,735	2,830,559
Under (over) allocated revenue for the year	(3,452)	665,928	(79,050)	583,426	824,176
Balance - End of year	5,753	3,109,736	1,122,672	4,238,161	3,654,735

NOTES TO FINANCIAL STATEMENTS - March 31, 2000

1 Nature of the Foundation

The Manitoba Law Foundation was established by Act of the Legislative Assembly of Manitoba and was assented to October 23, 1986. The Foundation receives interest earned on lawyers' trust accounts and disburses grants to organizations specified in the Act and to other organizations at the discretion of the Board of Directors.

The objectives of the Foundation, as set out in the Act, are to encourage and promote the following: (a) legal education, (b) legal research, (c) legal aid services, (d) law reform, and (e) the development maintenance of law libraries.

2 Significant accounting policies

Interest on lawyers' trust accounts

Interest on lawyers' trust accounts is recognized in the Foundation's accounts as the financial institutions advise the Foundation of the amounts. The Law Foundation assumes that solicitors who hold funds in trust for or on account of clients comply strictly with Section 39 of The Law Society Act.

Interest on investments

Interest on investments is recorded in the accounts on the accrual basis.

Capital assets

Capital assets are recorded at cost. Amortization is recorded at rates intended to amortize the cost of capital assets over their useful lives as follows:

Computer equipment	3 year straight-line

Grants

Pursuant to subsection 65(1) of The Law Society Act, grants equal to 50% and 16.67% of the interest received on lawyers' trust accounts annually or $1,007,629 and $335,383, respectively, whichever is greater, are to be paid to The Legal Aid Services Society of Manitoba and The Law Society of Manitoba, respectively. Provision for such grants is recorded annually in the Foundation's accounts. In the event there are insufficient funds to meet these commitments, grants will be calculated on a pro rata basis and will be deemed to be in full satisfaction of the grant obligation.

Grants other than as described above are recorded in the Foundation's accounts in the year of authorization.

3 Capital assets

Capital assets consist of the following:

			2000	1999
	Cost $	Accumulated amortization $	Net $	Net $
Computer equipment	10,356	4,603	5,753	9,205

4 Reserve for future grants

The purpose of the reserve for future grants is to provide stability during periods of revenue reductions. The Board's policy is to add a minimum of 10% of the revenues, when revenues permit, from interest received on lawyers' trust accounts to the reserve for future grants until the total reserve is $3,500,000. In addition the Board may, at its discretion, transfer additional amounts from unallocated revenue to the reserve for future grants. Reserves are invested in secure investments maturing in periods not exceeding seven years.

5 Commitments

The Foundation's Board of Directors has conditionally approved 2000/2001 discretionary grants in an amount of $571,000. Should there be insufficient revenue remaining in 2000/2001 after payment of non-discretionary grants and administrative expenditures, these conditionally approved 2000/2001 discretionary grants will be paid firstly from unallocated revenue and secondly from reserve for future grants.

6 Comparative figures

Certain reclassifications have been made in comparative figures to conform with the presentation adopted for the current year.

7 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

SCHEDULE 1 - INVESTMENTS

FOR THE YEAR ENDED MARCH 31, 2000

Wellington West Capital Inc.	Original cost $	(Premium) discount $	Maturity date $	Coupon rate %	Accrued interest or amortization of discount $	Market value $
G.M.A.C. MTN Bonds	455,625	(5,625)	Dec. 3/01	5.55%	6.75	452,203
Manitoba Builder Bonds	222,000	-	June 15/02	5.50%	9.72	231,701
B.C. Provincial Strip Coupons	260,860	139,140	Dec. 21/00	-	121.03	383,076
Ontario Provincial Strip Coupons	748,782	69,218	Jan. 10/01	-	39.71	782,041
Alberta Mun. Finance Strips	222,408	127,593	June 15/01	-	101.88	326,067
B.C. Provincial Strip Coupons	349,773	66,227	Jan. 9/02	-	32.59	373,065
Manitoba Hydro Savings Bonds	786,503	268,498	June 15/02	-	149.93	1,017,997
Canada Strip Coupons	309,185	190,815	Mar. 15/03	-	106.02	418,035
Ontario Provincial Strip Coupons	599,920	172,079	Dec. 8/03	-	25.29	614,103
Ontario Provincial Strip Coupons	74,720	25,280	Sept. 15/04	-	5.82	75,783
Ontario Provincial Strip Coupons	499,518	187,482	Mar. 8/05	-	39.88	504,814
Canada Strip Coupons	399,483	162,517	Dec. 1/05	-	14.95	398,216
B.C. Provincial Strip Coupons	324,743	150,257	Feb. 24/06	-	10.32	327,812
	5,253,520	1,553,481			663.93	5,904,913

SCHEDULE 2

GRANTS ALLOCATED AND UNDISBURSED
FOR THE YEAR ENDED MARCH 31 , 2000

PER SUBSECTION 65(1) THE LAW SOCIETY ACT	Allocated during fiscal 2000 $	Undisbursed as at March 31, 2000 $
The Legal Aid Services Society of Manitoba	1,328,935	1,328,935
The Law Society of Manitoba	442,987	442,987
	1,771,922	1,771,922
PER SUBSECTION 65(4) THE LAW SOCIETY ACT (DISCRETIONARY)		
(A) LEGAL EDUCATION		
Community Legal Education Association		
General Operating - 1999/2000	35,000	-
Faculty of Law - University of Manitoba		
General Funding Grant 1999/2000	50,000	-
Native Law Centre - University of Saskatchewan		
General Operating - 1999/2000	10,000	-
(B) LEGAL RESEARCH		
Legal Research Institute at the University of Manitoba		
General Operating - 1999/2000	50,000	-
(C) LEGAL AID SERVICES		
Legal Aid Services Society of Manitoba		
Public Interest Law Centre 1999/2000	150,000	-
University Legal Aid Clinic 1999/2000	45,000	-
Community Legal Education Association		
Law Phone-In,		
Lawyer Referral Service 1999/2000	40,000	-
(D) LAW REFORM		
Manitoba Law Reform Commission		
Research Consultant(s) 1999/2000	30,000	-
(E) LAW LIBRARIES		
E. K. Williams Law Library		
Acquisitions and Maintenance 1999/2000	35, 000	10,500
Acquisitions and Maintenance 1998/1999	-	10,500
The Manitoba Law Library Inc.		
Courthouse Libraries 1999/2000	100,000	-
	2,316,922	1,792,922

In 1986, the Legislature established **THE MANITOBA LAW FOUNDATION** through amendments to The Law Society Act. Financial institutions must pay to the Foundation interest on mixed trust accounts maintained by lawyers practising in Manitoba. This does not include the interest paid on specific trust investments held for individual clients. Mixed trust deposits are usually held by lawyers in circumstances where the administrative cost of segregating the funds would exceed the interest payable to individual clients.

OBJECTIVES

The legislation establishing the Foundation spells out the purposes for which its money can be used. The objects of the Foundation are to encourage and promote:

Legal education;

Legal research;

Legal aid services; and

The development and maintenance of law libraries.

ADMINISTRATION

A Board of ten Directors administers the Foundation. The Minister of Justice appoints five Directors; the Benchers of The Law Society of Manitoba appoint three; the president of the Manitoba Branch of the Canadian Bar Association appoints one. The Dean of the Faculty of Law, University of Manitoba, or a member of the Faculty appointed by the Dean, is a Director. The Minister of Justice designates one of the Directors as Chairperson and another as Vice-Chairperson. The Board meets regularly to decide on grant applications and policy matters including the collection and investment of revenues.

FUNDING GUIDELINES

A summary of the Foundation's granting policy and application forms are available from the Foundation office. In general, projects must fall within the stated objectives as interpreted by the Board of Directors. There are no limits on the amount of grants, but all grants are subject to the availability of funds. The grants mandated by legislation have a prior claim.

The Foundation is willing to fund projects that are creative and innovative as long as they fit its objectives and benefit the public interest.

APPLICATION PROCEDURES

Potential applicants first contact the Foundation office to discuss a proposal and obtain the necessary application forms. Applications are normally considered in May and October each year. In May applications submitted prior to the end of March are considered; in October applications submitted prior to the end of August are considered. Assistance in the preparation of applications is available from the Foundation office. It is the Board of Directors, however, who make all decisions on funding.

Along with the application forms, prospective applicants receive a memorandum to assist in the completion of the package of written materials required by the Board in order to make its decision. Twelve copies of the completed proposal are required.

OBLIGATIONS OF GRANT RECIPIENTS

Grant recipients are required to confirm their obligations by letter in a form approved by the Foundation's Board. Generally, grant recipients must agree to spend the grant money as specified in their application or any variation approved in writing by the Foundation. Funds not spent in accordance with the letter of agreement must be refunded to the Foundation.

The Board of Directors of the Foundation has approved an Evaluation Policy. A memorandum specifying reporting requirements is available from the Foundation office. An independent auditor's report is required unless the Foundation specifically agrees that it shall not be required.

FOR INFORMATION ABOUT
THE MANITOBA LAW FOUNDATION
AND TO REQUEST APPLICATION FORMS
AND THE MOST RECENT ANNUAL REPORT,
WRITE, FAX OR TELEPHONE:

THE MANITOBA LAW FOUNDATION
412 McDERMOT AVENUE
WINNIPEG, MANITOBA
R3A 0A9

TELEPHONE: (204) 947-3142

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